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Calculated Affection? Charting the Complex Economy of Home Purchase

Moira Munro ✉ & Susan J. Smith

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Abstract

This paper highlights some widely cited but rarely elaborated 'local factors' influencing housing market dynamics. Adopting a microstructural perspective, the focus is on home purchase in order to complement a literature that often concentrates on the way properties are sold. Drawing from over 90 qualitative interviews from a single compact city, housing markets are characterised as collective calculating devices, whose networks of people, things, materials and relationships are engaged in the practice of price. It is argued that price is an affective as well as an economic affair, whose volatility is more an expression of sociality and emotional intelligence than an exercise in irrational exuberance.

Keywords:

Housing markets

cultural economy

price

agencement

Introduction

Housing market dynamics generally, and price volatility in particular, are a core concern for analysts and policy makers who are monitoring and managing the British housing system (Aoki et al., [2001](#); Barker, [2004](#); Miles, [2004](#)). These concerns are multiple and relate to inequalities in housing accessibility and affordability (Bramley & Karley, [2005](#); Holmans, [2001](#)), the wealth implications of uneven house price appreciation (Smith, [2005](#); Thomas & Dorling, [2004](#)), and the impacts of housing and mortgage markets on the buoyancy and manageability of the macro economy (Attanasio et al., [2005](#); Maxwell, [2005](#)).

Housing market dynamics are traditionally accounted for with reference to economic variables, using models at various scales predicated on individuals' more or less rational behaviour (Andrew & Meen, 2003a, 2003b). However, housing markets have proved distinctively unamenable to economic generalisation or precise prediction. Cycles in house prices across Europe, for example, are not co-ordinated, and local price variations are generally attributed to 'local factors' (Abraham & Hendershott, [1996](#); Ashworth & Parker, [1997](#); Stephens et al., [2005](#)). While these 'local factors' may in future be illuminated by micro-economic approaches, drawing on a new generation of regional and micro level data (on price, population and other parameters), and by a new wave of interest in the economics of housing submarkets (Hwang & Quigley, [2004](#); Meen & Meen, [2003](#); Watkins, [2001](#), [2006](#)), to date they remain largely unspecified.

There have been some attempts to broaden understandings of local housing economies in recent years by building institutional and individual agency into models of property value and house price formation (Kauko, [2004](#)), and by transferring the psychological logic infusing behavioural finance into the analysis of property markets (Kishore, [2006](#); Shiller, [2005](#); Smith, [2006](#)). The sense here is that it is worth engaging in somewhat 'closer dialogue' in order to enlarge the repertoire of stylised facts from which (housing) economics draws (see Clarke, [1998](#)). However, this sense is embryonic. There are, for example, very few recent examples of research on local housing markets that engage fully with what Michel Callon casts as the fundamental sociality of (housing) markets, or their hybrid form (the way they are constituted by affective relationships which attach people to the materials and meanings of things, including housing and home).

As a contribution to that wider microstructural project, this paper draws from a social study of local housing market dynamics in a single UK city, Edinburgh, implemented during a phase when Scotland's capital was at the leading edge of what was to become the UK's fourth major post-war 'housing boom'. In particular, the paper concentrates on how and at what price homes are bought, in order to complement a literature which often pays most attention to how properties (and, indeed, other things) are sold. Piecing together the accounts of market professionals and home buyers, the paper makes two key points.

First, the calculative practices that animate housing transactions are examined. An earlier paper describes the way that, as prices rise, market signals can break down as the supply of useful, price-relevant information for intermediaries and their clients falters (Smith et al., [2006](#)). Drawing from the work of Michel Callon, this new paper accounts for the prices that are paid by conceptualising housing markets as collective calculative devices, characterised as much by their performance as by their predictability (Callon, [2007](#); Callon & Muniesa, [2005](#)). Price is not, from this perspective, an outcome of abstract economic forces; it is a practice that is uncompromisingly social and radically material. The first part of this account is therefore about the way prices are practised as (housing) markets are performed. Notably, the paper documents a shift in the centre of calculation of the Edinburgh market away from the technologies designed to pin price down in some 'objective' sense, and into a domain of lay deliberation that effectively opens prices up.

Second, the paper considers what the 'information' gathered up into price means when the market is rising so steeply that it escapes the usual benchmarking procedures. In particular, the multiple ways of valuing property that are always in play, but which are more obviously exposed when prices are uncertain. This includes an account of the way markets respond as directly to emotional energies as they do to economic drivers. These emotional effects are already documented in some parts of the literature, but they are usually reduced to the psychology of finance, and in particular to an 'irrational exuberance' that prompts unsustainable over-investment. Building from foundations laid in Christie et al. ([2008](#)), however, the paper puts forward a more social interpretation of the affective inspiration behind house price appreciation. On the one hand, this teases out the hopeful relationships between people and things that build confidence in, and forge attachments to places, in price sensitive ways. On the other hand, the psychology of fear is re-examined, showing how the anxieties that inflate

price ‘bubbles’ are only partly inspired by a spirit of speculation. They are more often provoked by desperation—by the risk of detachment from home.

The Study

The research informing this paper was completed in Edinburgh, Scotland, in 1999–2000. It has both quantitative and qualitative components. By analysing a comprehensive database on prices in the City (derived from the Land Registry) the research first showed that between 1996 and 1999, residential property prices in more than half of Edinburgh's post code sectors increased by at least a third. During 1998, prices rose more steeply in the majority of Edinburgh postcodes than they did in the booming South East of England (Bondi et al., [2000](#)). The analysis also exposed a fine-grained geography of trends in house price appreciation, locating those neighbourhoods at the leading edge of the upturn at different levels of the market. This informed the choice of four case study locations: two high-priced neighbourhoods with a mix of substantial flats and family houses (G and N); one medium-priced zone of flats, including both conversions and tenements (M); and a lower-priced tenemental area, experiencing an upswing of repute and desirability (L).

A total of 93 qualitative interviews inform this paper. All were recorded with participants' agreement, and fully transcribed. The majority (66) were undertaken with recent buyers (sampled from the Land Registry), evenly distributed across the four case study neighbourhoods. The discussions covered: search behaviour, preference formation and modification, information sources, learning experiences and relationships with housing market professionals. The transcripts were coded for computer-assisted retrieval by a single interviewer, using a checklist and coding framework designed by the research team. In addition, 27 qualitative interviews were completed with professionals whose role is to facilitate and enforce market transactions (solicitors, estate agents and surveyors). These embrace the main project (20), and a pilot study (7) conducted approximately a year earlier. The professionals' transcripts cover a range of perspectives, from small, localised practices to larger and national firms, extending over a spectrum of relatively ‘upmarket’ and ‘lower market’ niches. These were analysed through repeated close reading, with manual extraction of themed material. The arguments in the paper are based on whole transcript reviews, together with a

with extracts that were selected to identify the range (although not always the frequency) of ideas across the entire dataset.

Practising Price: Towards an Economy of Calculation

Price has iconic status in markets. It is the mechanism around which markets hinge; it is indeed the rationale for using markets as a medium of exchange. Explaining the temporal and spatial dynamics of price is a foundational challenge for housing economics, which has, nevertheless, always found it difficult to account for the geographical variability in house prices or for local differences in price volatility. To the extent that volatile housing markets are imperfect or inefficient from an economic perspective, asymmetries in information in and around price tend to be viewed as a prime culprit. This explanation might be especially salient in settings like Edinburgh where the other major source of market imperfection—the inability of (weak) institutions to enforce contracts—is effectively controlled for. This is because in Edinburgh (as is typical for Scotland, though in contrast to England) solicitors play a crucial intermediating role—they are active in both the buying and the selling process, and bring strong legal institutions to bear on the transactions. A mix of deep-seated conventions, ingrained expectations and a powerful professional code (which includes informal sanctions such as no longer acting for or with clients or professionals who renege on agreements) ensures that once an offer has been lodged and accepted, it is effectively binding, so that few contracts fail between inception and completion. So while information takes centre stage, the analysis that follows suggests that what from one (economics) perspective is about tracking the flow (and interruption) of information between individual (and even institutional) agents, is from another (more sociological) point of view, about a practice of calculation that is distributed very widely among the people, things, materials and relationships that comprise the housing system. To explore this, that a multi-disciplinary microstructural perspective is helpful because it attends to the complexity and diversity of the calculative practices that constitute markets, and it recognises the materiality and context-dependence of price.

While housing research is by now used to grappling with price volatility, it is not accustomed to questioning the stability of what it is that price represents. However, in Edinburgh this stability is always in question since there are three ‘prices’ from the

purchase (bid) price. Discussion with market professionals suggests that in a volatile setting, none of these market signals corresponds in any systematic or predictable way to the intrinsic qualities of dwellings, and also that they bear no fixed relationship to each other (Smith et al., [2006](#)). This raises the question: how are these different figures arrived at, what does the eventual purchase price mean or represent, and what does this tell us about housing market dynamics? Here is something of an answer, in two parts.

Value: The Official Statistic

If any statistic anchors the market for housing it is the 'value' of property. This is especially true in the Scottish system, where valuations are usually secured by buyers before, rather than after, the sale price is agreed. Valuations are therefore not only a benchmark for mortgage lending (which is particularly important where prices are rising and buyers increase their borrowing), but also an anchor for price negotiations. Nine professional surveyors active in central Edinburgh were interviewed in an open-ended way. Their job is to assess the value of properties as they change hands. A key prompt was: 'how do you know what value to attach to a property when the market is changing so fast?' It might be argued, on first reading, that the answers conform quite neatly to Hayek's argument that price collects up all the information required for a market to work. Hayek pinned his hopes for market systems on this idea: on the notion that price contains all the relevant information for the exchange of goods and services (for a fine discussion of this, see O'Neill, [1998](#)). In this spirit (although not, obviously, with the belief that there is a single 'right' answer) all the surveyors in the study emphasised the importance of gathering as much as possible of three types of information, in order to make a valuation.

First, they speak of the importance of securing general 'market intelligence':

If your market intelligence is good and you know what's happening ... you should be on top of, or have a feel for, the value of any particular property.
(S5)[1](#)

It's about intelligence; about how the market moves at any particular time.
(S6)

It's really a question of ... being totally up to date with the market place.

Second, they stress the relevance of assembling a portfolio of previous sale prices; prices of dwellings that are close—in time, space and quality—to the property being valued. The importance of this is asserted in all the transcripts; it is rooted in the belief in, and experience of, valuation as a ‘science’ or practice of comparison.

Properties are valued by comparing them with the most recent sale of a similar property type. (S1)

The basis of your evaluation is comparison. (Sp1)

You look at the comparisons. (S5)

Electronic databases provide the objective yardstick for this part of the practice of price. While it has become common over the last few years for software sorted information (on homes for sale, neighbourhood characteristics and recent sale prices) to be readily available nationally, and used to inform housing market transactions (Burrows & Ellison, [2004](#)), Scotland generally, and Edinburgh in particular, have had this facility in some form or another for a much longer duration. At the time of this study there were two distinctive centrally compiled, electronically held, professionally shared and (with some restrictions) publicly available databases of price: the ESPC (Edinburgh Solicitor's Property Centre) property register; and the Land Registry (formerly Sasines) data. The fact that there is a long run of consistent previous sales information held on a property-by-property basis thus provides a starting point for every valuation exercise: “whenever I go out to value a property I have a print out of what all the similar properties have gone for in that street or in a particular segment of that street” (S2).

There has been a flurry of interest in recent years in the potential for using automated valuation models to price housing markets. It is tempting, in light of this, to devote more space to the construction and actancy of these databases. However, at the time of the current research, a third element of valuation (in addition to general market intelligence and systematic proximate prices) was at least as important, namely the role of encounter. The surveyors in this study insist that their key role is to ‘go out’, to inspect the materials in a hands-on process that requires direct engagement with the fabric of dwellings: “We go in, it's observation. Our job is observation” (S4). This is as true for a basic level survey, where there is little time to linger, as it is for the more thorough structural surveys ordered by a minority of potential buyers who require a

These three procedures provide the ingredients of a valuation which, above all, is done 'by the book'; the whole exercise is "governed by the red book, our manual, the RICS (Royal Institute of Chartered Surveyors) bible". This text is itself material testimony to the precision, consistency and objectivity of professional valuation; it is part of the truism that there is a relatively objective or reasonably 'correct' price for a given bundle of property attributes at a particular place and time. 'The book' expresses, regulates and seals the reputation of the valuation process. It interacts with the regulatory effects of other textual materials, including "all the manuals we get from the various lenders" (S4).

So, while valuation may not be a precise science, it is regarded by those who perform it as the considered judgement of a trained eye; a practice "using all the information available" (S1) to place a figure on the price of property. This process is, moreover, in theory, robust to outside influence. It is impartial as well as objective: "we're surveying and valuing on behalf of clients, as instructed by solicitors ... we feel no obligation to anybody in these circumstances" (S3). It is also consistent across all market dynamics: the way the market's gone "has made absolutely no difference to the way we do our job" (S3); "I don't think we've changed in anything we've done" (S6).

All of this indicates that the act of valuation is experienced broadly as Hayekian economics might expect it to be: it is about bundling information into a single indicator of price, to provide a signal to other actors in the marketplace. It is, of course, by now well established that price in markets can never work quite as Hayek had hoped; that there are all kinds of reasons why information asymmetries are persistent and inherent in markets of all kinds (Stiglitz, [2000](#)). But the indication here is that, even among trained surveyors, there is a slippery element to the definition of market value, and this slipperiness is especially apparent in periods of rapid price appreciation. So 'values' might one day represent "what a reasonable person is prepared to pay given the market conditions at that point in time" (S4); but they might another day be "what the property would be worth if things stabilised" (S2). There is a hint here that far from engaging in the scientific process of valuation that is their ideal, surveyors are themselves part of an ongoing practice of price in Edinburgh which, in this example, helped unsettle the role of valuations as a market signal and changed the current of information exchange in some rather surprising ways.

The slipperiness of price is hinted at in a developing literature on behavioural valuation,

et al., [2002](#)) and which pays attention in particular to the contribution appraisers make to the 'stickiness' of prices in thin markets where turnover is slow (McAllister et al., [2003](#)). In Edinburgh the problem is slightly different. Here valuers were taken by surprise as the pace of the market picked up; notably, as turnover increased, the technological and material infrastructure of pricing (particularly the updating of the databases) lagged behind the demand for price-relevant information. In particular, Land Registry data which (eventually) contain a comprehensive record of all sales does not materialise sale values quickly enough for them to feed into valuations: "it's eight months out of date, so it's useless" (S5). Responding to this, in a setting where "you need a lot of information; as much as you can get", valuers tended to set up 'shadow' price banks either from their own resources: "we obviously keep a database of every property that we've seen" (S1), or by patching in other data: "most solicitors are very good, they will phone us up [with price information following a sale], so we just write a note on the file for future reference" (S5). But critically, it seems that for the day-to-day of valuation, talk is as important as technology, in a process that helps tie, smooth or anchor valuations within the profession.

Some of this is in-house deliberation:

"There's five of us in here so we can bounce a lot off against each other".
(S3)

"Our own activity in the market gives us an enormous amount of feedback".
(S6)

Some is more widespread networking:

"If we're really stuck, we just phone any of the guys in town, and we'll all help one another". (S5)

"We speak to other professionals, for instance we might phone up a solicitor or an estate agent and ask them what a particular property sold for". (S2)

Some values are situational; a product of encounter...

"If you're the first surveyor to the door ... you'll probably just go with what you feel the market has done up to that date. But if you're the last one in, and you see there's a strong demand for this house, then I think you'll probably be a little more bullish in your valuation". (S1)

“One thing we've found is that the condition and repair in the property doesn't seem to be important any more”. (S4)

“Half the time you're ignoring condition because the market ignores condition”. (S5)

There are, then, relational qualities to valuation, (in which, as will shortly be seen, buyers and their advocates are also implicated, as Wolverton & Gallimore ([1999](#)) anticipate). In practice values are interdependent: they are contingent on, and feed into, a spiral of prices, in a context where “the rules [of the game] change each year” (S1). So, although the principle may be one of detached rationality, in practice “you go on instinct, really” (S2), in a setting where only one thing's for sure: “you never get it right in a rising market” (S5). The upshot of all this is that while there is undoubtedly a materiality to property values, this resides not just in the object being priced, nor in the software systems and hardware arrangements used to store and circulate price, but also in the telephone conversations, speech acts and gestures of the myriad market actors whose practices bring price to life.

Guy & Henneberry (2000, 2005) have expressed concern about the way understandings of property markets which are rooted primarily in economic modelling tend to reify a narrow range of quantitative indicators, with implications for subsequent investment decisions. The discussion here shows just how far even the most formalised calculative techniques in housing markets are from the precision those quantitative indicators imply. Similar points are made by Beunza et al. ([2006](#)) in their journey towards a material sociology of arbitrage. They conceptualise price as ‘a social thing’, which takes myriad physical forms as it circulates among market actors. While we prefer to think of price as practised, the truth is perhaps that is simultaneously a noun and a verb. With that in mind, this more social perspective on economy is taken up in the next section, which considers where professional valuations fit into the myriad processes that produce a buying price.

Price: Travelling from Ask to Bid

The ‘asking’ price for residential property sales in Edinburgh is usually a benchmark which potential buyers are expected to respond to by lodging ‘offers over’ in a closed auction (Gibb, [1992](#)). This is quite different from ‘English’-style ‘sequence of negotiation’ systems that not only involve more protracted bargaining but generally

asking price. For the Scottish case, it has already been shown how, as house price appreciation gathered momentum, 'offers over' or 'upset' prices failed to keep pace; in fact they frequently fell nominally as well as relatively (Smith et al., [2006](#)). In their role as sellers' advocates,² solicitors and estate agents found this downward drift of upset prices puzzling, perhaps quirky, maybe irritating, possibly bad practice, but on the whole manageable. They did, nevertheless, find themselves trapped into doing likewise by the consensus that "you can't get too bullish on your [upset] price because of the knock-on effect that that will have on the level of interest" (Sol4). So although they retained the sense that there may be a 'realistic' price at which properties should be offered (about 10 per cent below the expected sale price), they subscribed, at the same time, to the view that by listing this price, "the people who are looking to buy will assume that this is the same price as other people's artificially low [price]" (Sol7). In the end, this produced a system in which even selling agents realised that "too many agents are erring on the side of a low asking" (Sol5).

'Under-quoting' is an interesting strategy which there is no space to examine here, although it suggests a more nuanced approach to setting an initial price than the direct trade-off between price and selling time postulated in the economics literature (Knight, [2002](#); Yavas & Yang, [1995](#)). However, two points are of note. First, while undoubtedly initiated as a sales tactic, and notwithstanding its success in drawing the crowds, the practice eventually put buyers off. The possibility that pricing low to encourage a 'bidding war' prompts people to exit from, rather than enter into, the market is hard to pick up outside the richness of qualitative research. But in the Edinburgh study, it is clear that setting prices too low is as likely to depress serious interest as to enhance it; as inclined to deter people from bidding as to stimulate the sale.

We were just completely scared off by the amount of people on the Thursday and Sunday viewings ... I was actually petrified of getting into this bidding war and just haemorrhaging money. (G03)³

Second, as a price signal of any kind the 'upset' gradually made itself redundant. There is no evidence in the data here that falling asking prices were ever taken as an indicator of market slow-down. Instead, as a benchmark for buyers, upset prices simply became meaningless. Surveyors, who once expected to value properties within 5 per cent, and at the most, 10 per cent of the upset price stopped referring to the asking price at all:

I: Does the upset price have any bearings on your deliberations at all?

R: None, none whatsoever. (S1)

Likewise, solicitors acting for buyers, who would once have known that upsets were about 10 per cent below the effective 'reserve', adopted a new first principle, namely: "ignore the asking price" (Sol7).

This, it might be argued, would open the door to a more 'rational' system, in which selling prices would more closely reflect impartial professional valuations. However, what the study also found is that, as time went on, valuations themselves became less and less useful as a signal for sale price, and more and more a practice influenced by that price. Solicitors talk, for example, of getting 'a feeling' for whether specific surveyors value high or low, and in a market where credit constraints are coming into play: "the temptation's always to move to a valuer who maybe values slightly on the higher side of average" (Sol5). Surveyors equally talk of the way solicitors select surveyors to match their clients' temperaments or aspirations: "If they've got a conservative client who wants total security then they will probably go to a surveyor who's going to provide that sort of report ... if they've got a guy whose finances are tight, it means the highest valuation possible, then they'll look around and they'll say 'he's the guy who's likely to be optimistic on this property'". In fact, the whole question of valuation became a rather circular process: surveyors depend on being "in touch with solicitors every day getting feedback" (S1); solicitors "rely a lot on what a surveyor says" (Sol3). In short, it became "an art rather than a science to try and come up with the right figure to pay for the property" (Solp1), in a setting where key information intermediaries have less and less price-relevant information to draw on.

It is well established that price does not perfectly capture all the information required to transact efficient markets, but it is striking nevertheless that the practice of price in turn-of-the-millennium Edinburgh was progressively detached from the science of valuation and the characteristics of properties. Instead it increasingly revolved round the art of the 'daft' or 'silly bid'. For advocates, this meant giving potential buyers "the nudge in confidence they need to get something" (Sol8) or judging when the time is right to say "you should be emptying the piggy bank now" (Sol2). Practising price is when the supposed expert says to a client "what's the most you can offer?" (Sol5). The key point is that, in the end, bid prices migrated from being an advocate's

market were actively and effectively redistributed away from what limited price information was circulating among intermediaries, towards the deliberative strategies of home buyers. This was experienced in two ways. On the one hand, buyers (especially those in the lower priced neighbourhoods) felt excluded from privileged circuits of information, sensing they were on their own, playing against not just a hostile market but also an unforthcoming professional body: “it's a very closed shop on their side of things” (L10), they “have it stitched up” (L11) and “they like to hold that bit of information back to give them a bit of power” (L4). On the other hand, those higher income (and typically more experienced) buyers who were more actively seeking advice found that the professionals they consulted were as much at a loss as they were: “nobody knew where the property market was going and what prices would be ... So in terms of deciding what price to offer, we basically worked that out ourselves” (M07).

Interestingly, the literature on micro-economics has least to say about buyer strategies, especially in the context of a loss to the system of usable price information. Therefore, the Edinburgh buyers were asked in some detail how, in a context where hen's teeth were in better supply than prices, they decided what to bid. There are broadly, three types of answer.

The first set of answers comes from small group of nine, who paid less than the professionally assessed ‘market value’ for their property. These buyers are spread across the high, medium and low priced neighbourhoods. What is notable is that the majority of purchases were made outside the formal auction system, as well as more or less independently of solicitors' advocacy. In five cases the buyer negotiated directly with the seller: “they kind of put it on a plate” (L11). Two others used the same pre-emptive bidding tactic (“I was cheeky” (L01)), but without contacting the vendor directly. One other bought slightly under a fixed advertised price: “we were just chancing it a little” (M18). Only one member of this group entered the sealed bidding arena. They offered everything they could: “we bid our wad” (M11), were surprised ‘to win’, and subsequently worried that they had bought a white elephant—a very rare expression amongst these buyers of the ‘winners’ curse’.

A second group of 27 buyers, over one-third of the sample, held onto the notion that surveyed values provide some kind of anchor for price. Some used this quite explicitly to limit their bids: “we decided we would only put it in at the valuation; we wouldn't go

price within 10 per cent of that figure. This was sometimes achieved by following solicitors' recommendations. Often, though, the level of the bid was set despite rather than because of advocates' views. For the most part the tendency was to hold back: "The solicitor wanted me to go a bit higher than I did" (M03), and even explicitly to attribute keeping offers 'within reasonable bounds' to having "used my own judgement on how much over the valuation to offer" (G01). This group kept purchase prices close to professional valuations with the philosophy that: "I knew what my top figure was ... I will not go above. End of story" (L08).

The third group of 21 buyers paid an average of just over 15 per cent (ranging between 10 and 32 per cent) above valuation for their home. This group, who again span all four price bands in the study, are most likely to report experiencing a complete vacuum of useful price information, in a setting where even valuations seemed to have no useful function. They were haunted by 'the spectre' of buyers who, if they really want the property, can price others out of the market. So in the absence of any clear steer on what an appropriate market price might be, this group "just decided to bid what we could afford rather than what it seemed worth" (N14). There is a more complex story to tell (see Smith, [2006](#)), but for the moment the paper simply reports talk of the way professionals urged buyers to 'push the boat out', avoid the 'massed pipes and drums', 'empty the piggy bank', 'make them an offer they can't refuse' and bid to 'the maximum'. The study also noted the extent to which buyers themselves pushed for 'a silly bid' on the grounds of being prepared to 'go as high as we could to get something we wanted'.

What is striking across these data is that, with decisions about maximum possible bids and extremes of affordability dispersed away from the conventional centres of calculation (the chains of professional negotiation), and on the principle that "it's just a lottery now to be honest" (Sol5), buyers' most explicit calculative energies focused less on where broadly to pitch the bid and more on how, in detail, to pick the winning numbers. The calculation—and certainly that part of it which engaged most directly with professional advisers—hinged less around the ballpark bid of £80 000, £300 000 and so on, and concentrated more on the difference that an extra £2000 or even £100 might make:

The final figure was: my husband was 40 this year, my father was 60 this year and my sister was 30 and made 40 60 30. (G06)

We put in the 25p that we had been sent by the property adviser for good luck and we asked all our best friends to pick a number. (L05)

There are anchor points for bid prices in the databases of the Land Registry and the ESPC, in the formulae applied by valuers and in local professional knowledge. But in the end, buying prices are practised in a social world: they are details of the flow as well as an element of the fixity in what Callon might call the agencement of the housing system (Callon, 2006; Hardie & MacKenzie, 2007). 'Tinkering' is part and parcel of this, it absorbs substantial calculative energies, and it influences housing outcomes. Hence, it is suggested that some of the difficulties in charting the economy of local housing markets might be addressed if such markets are understood not as distributive mechanisms in the economic sense but as agencements in the sociological sense: as assemblages of people, tools, equipment, technical devices, algorithms, and so on which are actively arranged but which partly arrange themselves. Adopting this approach, this analysis has shown how prices are practised when traditional information signals and old certainties falter. This draws attention to the tactics deployed by potential buyers and their professional advisors in a bid to 'win' at auction. In particular, it shows how the formalities of calculating price hinge on the precision of the 'little numbers' that go into the formulation of a successful bid. Next, the question of how buyers set the benchmarks for the 'big picture' is tackled, by asking the following question: if conventional information is not the driver, what is it that nudges some properties in some places from one price band to the next?'

Home Values: The Emotional Economy of Housing Markets

When prices rise, and leading edge buyers pay what it takes rather than what they think properties might be worth, it is tempting to characterise the 'bubble' of inflation as a frenzy of speculation; a classic hallmark of irrational exuberance, detached from economic fundamentals. It has been noted before that, in Edinburgh, the economic conditions for house price appreciation were in place for some time prior to the present study (Bondi et al., [2000](#)). Population and employment growth together with measurable economic prosperity were the well-established underpinnings of demand; a property market dominated by flats and a physically constrained city site had always restricted supply, particularly for bigger homes. These fundamentals might have been a

this, there are parallels with Case & Shiller's ([1988](#)) account of some late 1980s US cities, which (using postal survey results) indicated that “sudden real estate booms have, at least in part, a social, rather than rational or economic, basis” (p. 1) resulting in “a market for residential real estate that is very different from the one traditionally discussed and modelled in the literature” (p. 24).

Enlarging on the ‘social’ factors which complicate the conventional economic account, Case & Shiller talk about a market ‘largely driven by expectations’, and inhabited by speculative but irrational investor figures whose knowledge of fundamentals is limited, and whose tendency to buy above the asking price may essentially be a mistake. Subsequently, Shiller has leaned increasingly towards psychological accounts of price volatility, most recently extending his successful account of the irrational exuberance implicated in the boom and bust of the stock market, into housing (Shiller, [2005](#)). This behavioural finance perspective draws welcome attention to the emotional energy in markets, and helpfully unpacks the psychology of price. Thus it provides a starting point for the following discussion of why it is that at least some buyers responded to a deficit of price information by paying more, rather than by withdrawing, waiting or undercutting the market (which others, not amongst the successful buyers who were interviewed, may, of course, have done).

Answers may be found in the different types of information that came into play as hard evidence around price proved difficult to secure or interpret, and as economic imperatives lost clarity. Ideas embedded in the close dialogue of the Edinburgh narratives point to the sociality (not just the psychology) of markets in some quite decisive ways. It seems that price rises are only partly accounted for by economic drivers and individual psychology; they also attend to the affective relationships between people and things implied in the agencement of housing markets.

Performing Edinburgh: An Ecology of Hope

A central question for the Edinburgh research was how, in this context of price uncertainty and volatility, buyers acquire sufficient confidence to continue to search, bid and buy (at increasingly high prices), especially when they are advised by professionals whose own calculative capacities may be compromised by unpredictable market behaviours. The answer is that ‘hard evidence’ around asking prices, property values and prices previously paid provide only one kind of price-relevant information

shows how part of the information vacuum for Edinburgh buyers was filled by what is described as an ecology of hope. Hopefulness is a quality of increasing interest to those concerned with the anticipation and creation of the future (Anderson, [2006](#)). There is less interest in this idea in either conventional economics or behavioural finance, although Miyazaki ([2003](#)) details the unexpected ways in which traders' hopes and dreams can infuse the conduct and content of financial futures markets. In relation to housing markets, an ecology of hope is part of an emotional geography attaching home seekers to the materials and meanings of the city; hope is a quality mobilising the affective ties that bind households to the structures of neighbourhoods, to the architectures of housing, and to the (potential) homeliness of individual properties.

An ecology of hope is partly anchored in a narrative of confidence in the financial, political and cultural health of the city, which threads through the accounts of market professionals and infuses the buying regime. This ecology is forged above all by a belief in, and a determination to realise, Edinburgh's particularity; its exceptionalism. This exceptionalism is economic, political, cultural and historic. So Edinburgh is experienced as “the place to be” (EA3), with a “confident vibrant economy” (EA1) that makes residential property “a global commodity in investment terms” (S6). Then there is a sense of optimism in the City's newly-found political status, as the capital of a recently devolved Scotland and the site of the new Scottish Parliament. There is also a hopeful sense of attachment to the materials of the housing market: “Edinburgh has this great love affair with stone” (EA4). The transcripts speak of the unique relationship forged between homebuyers and the built environment: they testify to an affective bond with Georgian and Victorian structures, cobbled streets, mature trees; with structures whose solidity and endurance buyers can trust even as the bids they (feel forced to) make are detached from the usual (economically fundamental) anchor points.

Mainly, however, this ecology of hope is about the history and geography of a distinctively Edinburgh market. The mantra that ‘Edinburgh is different’ fuels accounts of why it largely escaped the housing market slump that affected much of Southern England in the early 1990s. This market is so robust, it seems, that for the city as a whole, the risk of negative equity “ ... is non-existent; it's non-existent” (S3). Narratives like this weave their way through the understandings and practices linking surveyors, buying agents and homeseekers.

After the worst of the recession, we had a levelling off of some of the

months. (S2)

Anybody holding on to a house for ... maybe a couple of years will not lose out. (S015)

[last time] I didn't lose out whereas everyone else in the UK had, so I was fairly confident [this time] ... because of that history. (M12)

If this were the whole story, then this performance of the Edinburgh housing scene might fit the script for an episode of 'irrational exuberance'. It might suggest that Shiller ([2005](#)) is right to lament the over-investment in property that comes from buying into what might be nothing more than a confidence myth, as people succumb to "the herd behaviour that can spread through millions or even billions of people" engaging with the sorry tale of "how errors of human judgement can infect even the smartest people thanks to over-confidence, lack of attention to details and excessive trust in the judgement of others" (p. xii).

However, tales of the (unique) city are only one element of the emotional attachment of people to properties. Professionals may pin their hopes on the exceptionalism of the local housing market; but buyers pin theirs on the quality and veracity of an affective bond to just one space within it. This bond has price effects (which are documented in Christie et al., [2008](#)), but these are as much about the quest for emotional rewards as the demand for financial return. This is because buyers are looking not just for housing, but also for a home. And home seeking does not boil down to the herd behaviour of unruly crowds. Instead it enlists the deliberative activities of a competent public, whose 'feeling rules' may override economic rationality, but in a way that could be interpreted less as the exercise of unthinking exuberance and more as an application of emotional intelligence.

One in three of the buyers in this study talk quite explicitly about the way their 'feeling rules' work. Across all price brackets in the study, what encourages people to pay a premium is their feeling that the property (not the price) is right (or wrong). Three things are notable in these accounts.

First, feelings are immediate: they are instinctive; attachment is sensed not deduced. This point is apparent across all price brackets in the study:

I felt instinctively—I felt the house was right, and it was perfect. (G02)

As soon as we went to it, it was, like, 'this is the one'. (N09)

We just liked it. There's no rhyme nor reason ... you don't really know why you know ... [it's] just a feeling a house gives you. (M08)

The one I ended up with was the only one I really thought, that I sort of walked in and thought 'yes I could live here, it seems like home'. (L16)

It is, of course, possible that these comments help people rationalise a decision they have already taken. However, the search narratives in the study suggests that positive feelings of attachment are not only essential—'the feeling has got to be right' (G06)—but also rare, and thus decisive: "We viewed around 40 properties over two months, but when I saw this property I just absolutely loved it" (L05).

The second 'feeling rule', then, is that positive emotional attachments to specific properties are sufficiently rare that they are as much a driver for bidding high as a form of ex post facto justification for paying over the odds. One buyer paid more than 10 per cent over the valuation for their home because: "I was waiting for this house that I had some feelings for" (G10). Moreover, not having this rare feeling is a key reason for hesitating: "it's just that I wasn't sold on it, whereas my other flat, I knew that I desperately wanted that one. So I didn't have the same feeling about this place at all" (M17). Interestingly, this latter buyer (who was not emotionally attached to the property they eventually bought) was one of just nine in the study who paid a price below their professional valuation.

Third, the feelings involved in the process of searching for and securing an owned home are the most powerful in the book: homeseeking, like homemaking, is often a labour of love. Again this is true across all price bands.

I love it; I absolutely love it. (G04)

I just fell in love with it; I thought it was wonderful. (M02)

We just fell in love with it ... we just said "this is where we want to live". (N06)

I really fell in love with this one. (L18)

Within each of these 'feeling rules' the comments alert us to the fact that often decisions are negotiated within households, rather than being taken by an individual

(Levy et al., [2008](#)). This has the potential to raise the emotional stakes; the home sought is about love and family, the closest ties that bind.

It is feasible to argue that the passions of home buying, as set out above, are cynically manipulated by the sales side of the market. This, for example, is the basis of Bourdieu's (2005) account of new residential property development in France. However, all the properties bought in the Edinburgh study are 'second hand', and for reasons that cannot be elaborated here, property 'staging' is not as developed in this market as in those whose selling agents are primarily estate agents rather than solicitors. The emotional attachment that 'feeling rules' signify often hinges around the unique features of a dwelling: even outwardly similar terraces and tenements bear the traces of change and embellishment from generations of previous owners. There is certainly potential for these features to be manipulated into an economy of qualities (Callon et al., [2002](#)). However, the data in this study indicate held that this particularity is as likely to be about qualities that are not generally regarded as price relevant (how a space feels, whether a corner has character) as it is about the commonly understood drivers of financial value.

So, the Edinburgh case study offers a different take on the herd instinct that economists sometimes associate with speculative price bubbles. Here, where prices seem to have become detached from economic fundamentals, it is because they are shaped in quite 'logical' (or at least recoverable) ways by other types of information. Price is sensitive to the value of the affective ties between people and things. In short, it testifies to an emotional intelligence in the housing economy; a tempering of irrational exuberance by a measured ecology of hope.

Casino Culture?

Hope is one kind of emotional relationship entangled into housing transactions. An equally potent price effect is associated with fear. This again is a favourite in behavioural finance, where it is conceptualised as the flip side of a certain kind of risk: the risk of missing out on opportunities for financial gain. The catch 22 for home buyers caught in a speculative bubble is that playing to win is risky, but the 'sharp pain of regret' might be worse (Shiller, [2005](#)).

Now it is very likely that the ethopolitics of neo-liberalism are refiguring the investment element of owner occupation to play up its speculative role (Smith, [2008](#)). Certainly

transcripts. Equally though there is a sense of caution: buyers even in the early phase of what was to become a major housing boom were concerned about price rises being inexorable but unsustainable. The impulse to 'buy early and pay high' was expressed less as a bid for inclusion in price appreciation, and more as fear of exclusion both from the fact of housing and the meaning of home. This is as true in the higher price bands (where "you're afraid that, you know, prices are going to go up, and you're not going to get anywhere for what you can afford" N14) as it is at the bottom end of the market (where "I was aware that things were sort of starting to move upward and I would probably need to hurry up and find somewhere" L16). Other upward price pressures included avoiding transactions costs ("the very thought of 6 or 7 surveys fills me with dread" G15) and search fatigue ("Can't bear looking any more" G05). But the main driver of prices is fear, not of financial loss, but rather of detachment from home: "the dream of me getting a place of my own was slipping" (L18). The transcripts are scattered with anxieties provoked by the risk of severing a relationship, or missing out on emotional bond, with an object of affection, and again, with the potential for that hurt to be inflicted on the whole household. These at any rate are the emotional experiences that people most readily associate with their pricing decisions: "It's very nerve wracking. We would have pretty much done anything to be sure to get this place" (L05).

So, confirming the suspicions of Banks et al. ([2004](#)), the motivation among home buyers for buying early and paying high has to do with fear of exclusion: it is an insurance against future price hikes, not a bid to profit from them. The fears inflating the Edinburgh housing 'bubble' have more to do with desperation than speculation, and are fuelled as much by anxiety around affective ties to home as by the quest for financial gain.

It was shown earlier that while negotiating with their agents, buyers' calculative energies focused around the tactics of small numbers: how to juggle the last few digits of a bid to win the auction. But when determining the order of that bid—when setting the large numbers—buyers looked for a different kind of certainty. The mood is summed up by this buyer, who paid nearly 40 per cent over the advertised price of a property simply to keep it off the market:

We probably paid over the odds, but we didn't have to fight other people. We knew we were guaranteed getting it ... we paid the value which nobody would

While buyers were aware and fearful that at the broad level they were “guessing with sums they would never gamble with”, in this style of market paying ‘a lot’ can actually be seen as less of a gamble than working around what might be a reasonable or fair market price. The above quotation continues:

you don't save yourself money in the long run trying to be careful ... the odds are really, totally, stacked against you. (G14)

From this perspective, paying a ‘silly’ price is a logical tactic to reduce uncertainty and minimise the risk of losing at auction. Paying a large premium over the upset price or valuation may not appear to be rational, but it is part of a logical strategy to reduce risks. Intriguingly, then, in the Edinburgh example the fears that drive prices accelerated the spiral of inflation not so much because they nudged people into a speculative frenzy, but rather because they urged people to play safe. When housing markets feel less like an arena for measured investment and more like a gambling casino, this effective way to manage risk is to exit. This might be by not playing at all, or it could, as in this example, be by paying enough to change the game. Where the risk of loss hinges not around coldly calculated financial returns, but hotly experienced emotional attachment, the price effects of desperation can be very large indeed.

Conclusion

There are few microstructural approaches to housing markets in the recent literature, and these rarely engage with the idea of social microstructures. The attempt here to enlarge this field draws attention to the way calculation is distributed among the networks of people and things implicated in the agencement of the Edinburgh housing market. Conceptually, this approach achieves three ends. First, it is a response to the exhortation by Beunza & Stark ([2006](#)) that “economic sociology must move from studying institutions in which economic activity is embedded to analyse the actual calculative practices of actors at work”. Second, it is an effort to build on Michel Callon's formulation of markets as collective calculating devices (Callon & Muniesa, 2004). This formulation has hitherto directed most attention to the effort of making goods calculable and offering them for sale, but the study here used it to examine the distributed calculative practices around bidding and buying, in order to chart the (social and material) practice of price in the acquisition of owned homes. Finally, the approach

psychological drivers of behavioural finance into a more comprehensive engagement with emotional economy, at a time when both these frameworks seem poised to enhance the world of housing studies.

The specifics of the Edinburgh experience suggests that this style of analysis can illuminate the local dynamics of housing markets in several ways. First, it draws attention to the uneven spread of calculative energies across the technologies, lay competencies, professional capabilities, materials and relationships comprising housing markets. The struggles associated with calculative asymmetries between buyer and seller, what Callon ([2007](#)) calls “the confrontation of socio-technical agencements”, are an obvious point of interest here (as Bourdieu, 2005 has recently shown). However, in the Edinburgh example, an equally intriguing, and for the time and place of that market more apposite, theme is the distribution of calculation among the agents and materials networked into buying.

Second, this approach offers a rethink of the way information works in relation to price. Price is not, in practice, the dependent variable that conventional economics would like. It is a much more complex and relational affair. The Edinburgh study shows, for example, why, in an appreciating market where price relevant information is scarce, the least significant digits of a bid were those most actively negotiated by the more professionalised market agents (those with the best calculative technologies and the most obvious calculative power). It illustrates too the extent to which the more crucial benchmarking of successful bids emerged not from this machinic complex of economic evidence, not even from the apparent technical competence of good databases and analytical tools, but rather from the emotional energies unleashed by a suite of affective ties binding buyers to the materials and meaning of home.

Finally, then, this example exposes the emotional economy of housing markets, which, as Christie et al. ([2008](#)) have shown, is foregrounded when conventional price signals break down. These findings are in line with some of the presumptions of behavioural finance that currently dominate accounts of price ‘bubbles’ in housing. However, the data here suggest that the inspiration for house price inflation in early 21st century Edinburgh is not just about the passions of individuals (a psychology of finance); it is also about emotional relationships. The calculative practices implicated in house price appreciation might thus more appropriately be labelled ‘emotional intelligence’ than ‘irrational exuberance’, and the bubbles that result may be as much a product of

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Notes

¹ Quotations are attributed to professionals using the following conventions: Surveyor (S), Solicitor (Sol), Estate Agent (EA); numbers refer to a unique identifier, and p denotes a pilot interview.

² Most of this paper is concerned with solicitors as buyers' advocates. However, in the Edinburgh market they are also vendors with more market share than estate agents.

³ Quotations are attributed to home buyers by providing each with an area reference (N, M, G or L) and a unique interviewee number within that neighbourhood.

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